Federal Financial Services Act – (FinSA)

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Client information on the – Federal Financial Services Act (FinSA)

I. Introduction

This brochure provides essential information on the Federal Financial Services Act of 15 June 2018 («FinSA») and the impact of this law on the services offered by Banque Bonhôte & Cie SA ("the Bank").

The aim of the FinSA and its implementing ordinance of 6 November 2019, both of which came into force on 1 January 2020, is to protect the clients of financial service providers and to establish comparable conditions for the provision of financial services by providers, and thus contribute to enhancing the reputation and competitiveness of Switzerland's financial centre.

They also establish the requirements for honesty, diligence and transparency in the provision of financial services, and govern the offering of financial instruments.

In addition to this legislation, there are now requirements and targets regarding sustainable finance.

You can obtain further information from your relationship manager, who will be happy to answer any questions you may have.

This brochure is provided for information purposes only and to comply with regulatory requirements. Under no circumstances does it constitute a solicitation or an offer of financial services, nor a recommendation to buy or sell any financial instrument.

II. General information on the Bank

Banque Bonhôte & Cie SA is a public limited company under Swiss law, authorised by the Swiss Financial Market Supervisory Authority («FINMA») to operate as a bank and securities firm. It is subject to supervision by FINMA.

The Bank has its registered office in Neuchâtel and has 6 branches, in Lausanne, Geneva, Bern, Bienne, Solothurn, and Zurich. Its services comprise wealth management, investment advice, buying, selling and custody services for securities and other financial instruments, brokerage services, Lombard loans, and family office services.

Please note that the Bank's products and services are subject to country-specific regulations and may not be available in your country of residence.

The contact details of Banque Bonhôte & Cie SA and FINMA are as follows:

Banque Bonhôte & Cie SA
2, quai Ostervald
2001 Neuchâtel
Switzerland

T + 41 32 722 10 00
www.bonhote.ch
info@bonhote.ch

Financial Market Supervisory Authority FINMA
Laupenstrasse 27
3003 Bern
Switzerland

T + 41 31 327 91 00
www.finma.ch
info@finma.ch.

III. Client protection under FinSA

The protection you are entitled to under the FinSA depends on which of three client categories or "segments" you are assigned to, and the type of financial service you are using.

a) Client categories

The Bank must classify you in one of the three client categories defined in the FinSA: retail client, professional client and institutional client. The retail client category affords the greatest protection while the institutional client category affords the least. Your classification enables the Bank to apply an appropriate level of protection to your accounts (see the section on rules of conduct below) and gives you access to a range of financial instruments that is suited to your profile.

Thus, if you are a professional or an institutional client, you can access a broader investment universe, including financial instruments strictly reserved for these client segments. Moreover, the investment process is less exacting.

Conversely, as a retail client, the range of financial instruments available to you is more limited as some services or products are inappropriate for your category.

The FinSA allows for a change in classification, provided that the request is made in writing and the requisite

conditions are met. This means that if you are an institutional client, you may notify the Bank in writing at any time that you wish to be considered solely as a professional client («opting-in»). Similarly, if you are not an institutional client but purely a professional client, you may request to be considered as a retail client («opting-in»). Conversely, it is possible to change from retail client to professional client status or from professional client to institutional client status («opting-out»), provided that you apply to the Bank in writing and meet the requisite criteria.

Your classification and any change of client category are, as a rule, established on the basis of the information you provide on the form «Confirmation of client classification under the FinSA».

b) Specific client classification for certain products

The following clients are considered qualified investors under the Federal Collective Investment Schemes Act of 23 June 2006 (CISA):

- Professional clients and institutional clients within the meaning of the FinSA;
- Retail clients who have signed a management mandate or an investment advisory mandate with the Bank.

Other investors are by default non-qualified investors.

Qualified investor clients may access a broader range of products, in particular collective investment schemes reserved exclusively for qualified investors, collective investment schemes that have not been approved by FINMA for offer in Switzerland, and structured products.

Private clients may notify the Bank in writing at any time that they wish to relinquish their qualified investor status. However, they should be aware that it is the Bank's policy not to offer asset management or investment advisory services to non-qualified investors. This means that retail clients who relinquish their status as qualified investors also waive the possibility of signing a management or advisory mandate with the Bank. Please note also that relinquishing qualified investor status will entail the disposal of investments reserved exclusively for qualified investors.

c) Categorisation where a client has granted authority to an independent wealth manager

If you have granted authority to an independent wealth manager, the Bank in principle automatically categorises you as a private client with respect to the portfolio(s) concerned. You may be placed in a different category if you wish, provided that you meet the criteria.

You will also be considered in principle as a qualified investor within the meaning of CISA with respect to the portfolio(s) concerned, and provided that the Bank has not received information to the contrary. This specific designation allows the Bank to act on the independent wealth manager's instructions as effectively as possible.

d) Rules of conduct applied by the Bank

The FinSA imposes rules of conduct on financial service providers concerning the provision of their services and guarantee therefore a minimum standard of client protection. These rules relate to client information, assessments to be carried out prior to providing the financial service, documentation and accountability, and transparency and due diligence in relation to customer orders.

Depending on your classification and the financial service concerned, the Bank must apply all these rules of conduct or only a part of them.

The following are essential elements of the requirements applicable to the relationship between the Bank and its clients:

1. General duty to provide information

The Bank must provide you with information about the Bank itself and its activities. To this end, it provides you with:

- this client information brochure on the FinSA, which is also available on our website bonhote.ch;
- the information brochure "Risks Involved in Trading Financial Instruments" published by the Swiss Bankers Association (SBA), which is also available at swissbanking.org;
- the brochure on deposit insurance, which is also available at esisuisse.ch.

2. Assessment of suitability in the case of a management or investment advisory mandate with the Bank

If you have signed a management mandate or an investment advisory mandate, in principle the Bank has a duty to assess the suitability of the financial service that you are offered («assessment of suitability»).

To this end, the Bank relies on your risk profile, which takes into account your financial situation, knowledge and experience, needs, and investment objectives. Based on this information, it defines an investment strategy with you and then implements its mandate (management or investment advisory) in accordance with the adopted strategy. This assessment concerns the entire portfolio under mandate and requires the monitoring of that portfolio.

It is therefore essential that the Bank has sufficient information to conduct suitability checks, failing which it will not be able to perform the necessary assessmentss.

If you are a professional client, the Bank is entitled to assume, when carrying out its assessments, that you have the required level of knowledge and experience and can financially bear the investment risks.

However, no prior assessment is carried out in the following situations:

a. If you are an institutional client which, by definition, has a high degree of knowledge and experience;

b. If the Bank's services are confined to executing your instructions ("execution-only"), without the Bank having issued a prior recommendation.

Nevertheless, if the execution of the transaction results in a departure from the investment strategy defined in the management or investment advisory mandate, the Bank may need to advise against the purchase or sale, rebalance or request the rebalancing of the portfolio concerned, or even refuse to include the financial instrument in the portfolio under mandate.

What ultimately distinguishes the two types of mandate (management or investment advisory) is not the assessment that is carried out, but the service itself. Under the management mandate, the Bank manages your assets at its discretion within the limits of the defined strategy. Under the investment advisory mandate, you instruct the Bank on the basis of the recommendations it has made, either on its initiative or at your request, in keeping with the investment strategy.

3. Assessment in the absence of a management and investment advisory mandate with the Bank

If you have not signed an asset management mandate or investment advisory mandate, there are two possible scenarios:

a. You, your representative or your independent asset manager instructs the Bank without it having provided any prior recommendation

In that case its services are limited to the execution and transmission of your orders to buy or sell financial instruments («execution-only»). The Bank therefore does not assess the suitability or appropriateness of the proposed transaction. This means that the Bank does not assess the transaction or the particular financial instrument with regard to your risk profile, or whether you are able to understand the nature of the particular financial instrument and the risks associated with it before placing the order. Please note that you will not receive further reminders of this absence of assessment.

b. Although as a rule investment advice is not available if you do not have a management or investment advisory mandate, the Bank may occasionally recommend investments to you on an «ad hoc" or "limited advice» basis

In that case, it must assess the appropriateness of these investments solely in relation to your knowledge and experience («assessment of appropriateness»). Unlike the management and investment advisory mandates, there is no assessment of suitability with regard to the portfolio as a whole and your financial situation, nor is there any monitoring of the portfolio. The Bank only needs to assess whether you have the knowledge and experience required for the particular transaction at the time of the desired investment.

As with the management or investment advisory mandate:

— No prior assessment is carried out if you are an institutional client;

— If you are a professional client, the Bank is entitled to assume that you have the required level of knowledge and experience and can financially bear the investment risks;

— If the Bank advises against a transaction before acting on your instructions, the transaction is then considered as not having been recommended by the Bank («execution-only»);

— Without sufficient information about your level of knowledge and experience, the Bank will not be able to carry out the necessary assessments.

4. Key Information Document

If you are a retail client and the Bank has advised you on a financial instrument («advisory») or if you instruct the Bank to execute a transaction («execution only»), the Bank must provide you with the key information document1 for that financial instrument.

You can access the KIDs at any time at: bonhote.ch/key-information-document

5. Duty to document and report (accountability)

The Bank keeps suitable records of the information it has collected on you, the information it has given you, the financial services agreed upon, and the results of its assessments. For example, in the case of an investment advice, when required as per your client classification, the Bank must document your needs and the reasons for each recommendation to buy or sell a financial instrument.

In addition, the Bank will report on the services provided and on the composition and development of

[1] The Key Information Document (KID) contains information intended to help the investor to understand the product (type of product, risks, costs, and potential gains and losses), and to compare it with other products. No KID is required for securities in the form of shares, including securities equivalent to shares which confer participation rights, such as participation or dividend certificates as well as debt securities of a non-derivative nature (Art. 59(1) FinSA and Art. 86 FinSO).

the portfolio, at a frequency agreed with you.

6. Transparency and due care in handling client orders

The Bank must process your orders in good faith and in keeping with the principle of equal treatment. Moreover, it must ensure the best possible result in terms of costs, speed and quality.

In order to ensure the best possible result, the Bank takes several factors into account including the price at which the transaction is executed, the costs (taxes, fees, commissions, and charges), the probability of execution, the probability of completing the transaction, and the timing of the operation, as well as the type and size of the order.

For further information, please refer to the Best Execution Policy which is published on the bank's website bonhote.ch/FinSa.

7. Exceptions

The FinSA provides for exceptions to the application of the rules of conduct for certain categories of clients,

Thus, the rules of conduct do not apply to transactions with institutional clients and only partially apply to professional clients who expressly waive them.

e) Outline

Category of client under FinSA	Classification of client under CISA and rules of conduct	Financial services		
		Management mandate	Investment advisory mandate	Execution only
Retail clients	Qualified investor?	X	X	
	Duty to inform	X[2]	X	X
	Assessment of appropriateness and suitability	X	X	
	Documentation and reporting (accountability)	X	X	X
	Transparency and due care	X	X	X
Professional client	Qualified investor?	X	X	X
	Duty to inform	*[3]	*	*
	Assessment of appropriateness and suitability	X	X	
	Documentation and reporting (accountability)	*	*	*
	Transparency and due care	X	X	X
Institutional clients	Qualified investor?	X	X	X
	Duty to inform			
	Assessment of appropriateness and suitability			
	Documentation and reporting (accountability)			
	Transparency and due care			

* As a professional client, the client has waived the requirement for the Bank to inform, document and report.

[2] No obligation to provide the Key Information Document in the case of a management mandate.

[3] No obligation to provide the Key Information Document in the case of a management mandate.

IV. Integration of ESG preferences[4]

Alongside the requirements provided for by FinSA, there are other rules that aim to allow clients to understand their investments from an ESG point of view.

Accordingly, as from 2024, the Bank must ascertain your ESG preferences[5] if you are a private or professional client within the meaning of FinSA and if you have signed a wealth management or advisory mandate. On that basis, you will be assigned to one of the following three categories:

- Neutral
- Interested
- Committed

If you do not express any ESG preferences or if you do not provide the Bank with any information on the matter, the Bank will assign you to the "Neutral" category and will not be required to take into account ESG criteria unless it deems it appropriate in carrying out its mandate. If you are in the "Interested" or "Committed" categories, the Bank will propose a mandate suited to your ESG preferences. However, your ESG preferences will not take precedence over your investment objectives.

Since these rules are supplementary to FinSA, FinSA's requirements regarding disclosure, suitability, documentation and account reporting also apply in principle to ESG aspects.

Your relationship manager will be happy to provide any information you might require about our products and services in this area.

V. Risks involved in trading financial instruments

Securities trading (e.g. equities, bonds, investment funds, structured products) involves risks that may vary depending on the security.

The different types of securities and the risks involved are described in the brochure "Risks Involved in Trading financial instruments, published by the Swiss Bankers Association (SBA).

You receive a copy of this brochure when you open an account and it is available for download on the SBA website swissbanking.org.

VI. Fees and charges

Fees and charges for the financial services provided by the Bank may be found in the Bank's «Schedule of fees – Private clients". This document is available from your relationship manager.

VII. Conflicts of interest

Conflicts of interest may arise in the provision of financial services when your interests and those of the Bank, its employees, other clients and/or partners conflict. In other words, there may be times when your interests conflict with those of the Bank or third parties. If not mitigated, this may result in financial disadvantages for you.

Conflicts of interest may arise in the following situations (non-exhaustive):

- In connection with the trading and sale of financial instruments, including those issued by the Bank. This would be the case, for example, when employees of the financial service provider misuse insider information;
- In connection with offering financial instruments or managing investment funds. This would be the case, for example, when the bank receives remuneration from third parties based on the volume invested in a particular financial instrument (for further information, see the next section);
- In connection with financial recommendations or analyses. An example of this would be to give preference to one's own financial instruments and those of partners over those of third parties, to the detriment of the client's interests (e.g., third-party products that are more advantageous and perform better than the Bank's products);
- In connection with the financial service provider's pay policy. An example of this would be performance-based remuneration for employees.

The Bank has always sought to reconcile the best interests of its clients with those of the Bank and its employees, which is why it has adopted a remuneration policy that is not based on employee performance. Moreover, its organisation is specifically designed to safeguard the interests of clients, in particular by clearly separating potentially conflicting roles and responsibilities and by establishing information barriers.

[4] ESG: environmental (e.g. energy consumption, water consumption), social (e.g. employer attractiveness, supply chain management) and governance (e.g. remuneration policy, business management).

[5] PESG preferences are the preferences of clients regarding whether or not ESG characteristics are integrated into their wealth management and/or advisory mandates, and regarding any ESG characteristics that are to be integrated.

The Bank also has regulations on the supervision of employee own-account transactions and on the acceptance and review of extraprofessional mandates, official mandates, and secondary employment. The bank monitors the circulation of sensitive information by means of a «restricted list» and a «watch list», to prevent abuse of insider information by employees. And finally, when selecting financial instruments, the Bank acts in the interest of its clients, taking into consideration both the products it manages and those of other financial service providers.

The Bank also has regulations dealing with the acceptance of compensation from third parties (including gifts and other benefits) and the granting of remuneration to third parties. The purpose is to identify potential conflicts of interest, report them to the relevant departments, and avoid or at least mitigate such conflicts in the clients' interests.

The Bank is therefore making every effort to identify, avoid or limit conflicts of interest that could arise in connection with the services it offers you. If the measures implemented cannot prevent a disadvantage for you, or only with a disproportionate amount of effort, the Bank will inform you accordingly.

VIII. Compensation from third parties

Compensation received from third parties consists of monetary and non-monetary benefits which the Bank may receive from other product providers as remuneration for services performed by the Bank, primarily in connection with the management and marketing of a financial instrument. The Bank may therefore be remunerated by a third party for an investment made on your behalf because it undertakes an activity related to that financial product, namely it manages the product, advises the manager of the product, or distributes or trades the product. This compensation must be distinguished from charges that the client pays directly to the Bank (e.g. management or advisory fees, custody fees, transaction fees and issue fees).

As the acceptance of this type of compensation may lead to conflicts of interest, the practice is strictly regulated. The Bank may retain compensation provided that the client has been expressly informed of its existence and has relinquished all claim to it. Otherwise, the compensation received must be returned to the client.

Please note that, in compliance with the regulations on compensation received from third parties, the Bank's service contracts and general terms and conditions expressly inform you of the likelihood of the Bank receiving third-party compensation in certain situations, the proportion of such compensation relative to the amounts invested in the financial instruments concerned and/or relative to the assets under management, and they formalise your agreement to waive any claim to such compensation.

IX. Complaints handling and mediation body

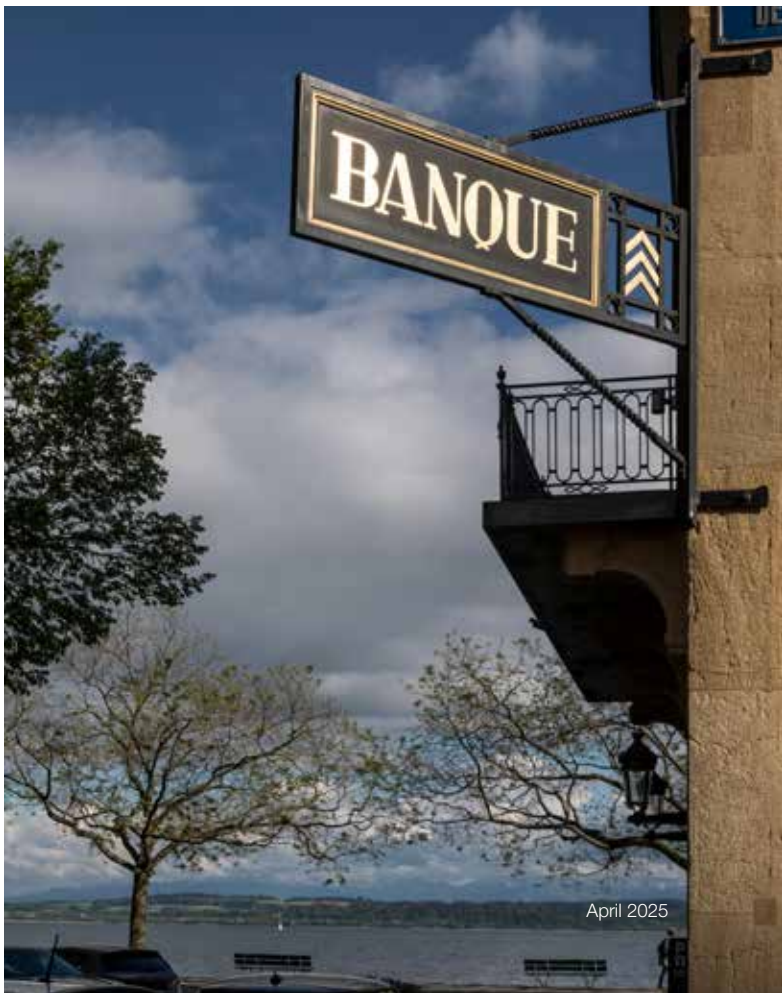
Any complaints should be addressed in writing directly to your relationship manager. They will be dealt with as quickly as possible.

If you are not satisfied with the response, you may contact the Swiss Banking Ombudsman who will attempt to resolve the situation amicably. The procedure is confidential and free of charge.

The contact details of the Swiss Banking Ombudsman are as follows:

Swiss Banking Ombudsman
Bahnhofplatz 9
P.O. Box
8021 Zurich
Switzerland

T +41 43 266 14 14 (German/English)
T +41 21 311 29 83 (French/Italian)
bankingombudsman.ch



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